



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: June 10, 2008

TO: Finance Committee

FROM: Risk Management, Finance Department

SUBJECT: Insurance Renewal For Fiscal Year 2009

RECOMMENDATION:

That the Finance Committee hear a presentation on the insurance portfolio renewal for Fiscal Year 2009.

DISCUSSION:

The City maintains an insurance "portfolio" consisting of nine policies. The policies protect against a variety of exposures faced by the city. Property insurance is the highest cost component of the portfolio. Property insurance protects against damage to city owned facilities, with estimated values of \$337 million, caused by fire, flood and earthquake, to name several of the covered perils. Attachment 1 contains a premium history along with the cost of the two components of the property insurance - "all-risk" and "earthquake." A description of policies in the portfolio is provided in Attachment 2.

ATTACHMENTS:

1. Insurance Policy Financial Data
2. Policy Descriptions

PREPARED BY: Brad Landreth, Risk Manager

SUBMITTED BY: Robert Peirson, Finance Director

APPROVED BY: City Administrator's Office

Attachment I

Insurance Policy Financial Data

Premium History

By Policy

POLICY	2005	2006	2007	2008	2009	Differential
Property	\$ 1,237,132	\$ 982,460	\$ 1,279,209	\$ 1,027,338	\$ 975,000	\$ 52,338
Boiler	4,115	3,650	3,649	4,452	4,500	\$ (48)
Marine	26,557	24,898	23,608	24,833	24,334	\$ 499
Airport	48,323	44,972	44,972	44,972	36,504	\$ 8,468
Liability	432,046	458,057	674,541	601,352	680,000	\$ (78,648)
Workers' Comp Excess	164,972	144,655	144,764	166,891	150,000	\$ 16,891
Bond	17,775	15,832	15,832	15,700	6,900	\$ 8,800
Notary	163	131	131	516	516	\$ -
Volunteer Medical	1,301	1,361	1,361	1,485	1,500	\$ (15)
Total	\$ 1,932,384	\$ 1,676,016	\$ 2,188,067	\$ 1,887,539	\$ 1,879,254	\$ 8,285

Year Over Year

Paid, Quote, Budget Comparison

POLICY	FY '08	FY '09	FY '09		\$ (+/-)
	Paid	Quote	Budgeted	Quote	
Property	\$ 1,027,338	\$ 975,000	\$ 1,162,069	\$ 975,000	\$ 187,069
Boiler	4,452	4,500	4,000	4,500	\$ (500)
Marine	24,833	24,334	25,000	24,334	\$ 666
Airport	44,972	36,504	45,000	36,504	\$ 8,496
Liability	601,352	680,000	742,000	680,000	\$ 62,000
Workers' Comp Excess	166,891	150,000	180,000	150,000	\$ 30,000
Bond	15,700	6,900	15,000	6,900	\$ 8,100
Notary	516	516	1,000	516	\$ 484
Volunteer Medical	1,485	1,500	2,000	1,500	\$ 500
TOTALS	\$ 1,887,539	\$ 1,879,254	\$ 2,176,069	\$ 1,879,254	\$ 296,815

Cost Comparison

Property Insurance - All-Risk v. Earthquake

POLICY	2005	2006	2007	2008	2009
All-Risk	\$ 524,986	\$ 301,887	\$ 429,209	\$ 331,179	\$ 292,500
Earthquake	712,146	680,573	850,000	696,159	682,500
Total	1,237,132	982,460	1,279,209	1,027,338	975,000

Attachment II

Policy Descriptions

Property Insurance

\$975,000

The property insurance policy covers real and personal property owned by the City. Coverage is purchased from various carriers. Earthquake and flood damage coverage is purchased as well. Total declared property values as of May 2008 are \$337 million.

The City participates in a consortium of public entities to purchase property insurance. The consortium consists of 4,000 cities, counties, schools, and special districts throughout the country.

Limits:	All Risk:	\$1 billion	(per occurrence)	(\$292,500)
	Flood:	\$ 50 million	(per occurrence)	(\$682,500)
	Earthquake:	\$ 50 million	(per occurrence)	

Deductible:	All Risk:	\$ 100,000	(per occurrence)	
		\$ 250,000	(Stearns Wharf & Marina; per occurrence)	
	Flood:	\$ 100,000	(per occurrence)	
		\$ 250,000	(per occurrence, Flood Zones A & V)	
		\$ 250,000	(Stearns Wharf & Marina; per occurrence)	
	Earthquake:	5%	(per occurrence, per location)	

Carrier: Lexington

Boiler and Machinery

\$ 4,500

Insures against the sudden and accidental breakdown of boilers, machinery, and electrical equipment.

Limits:	\$100 million	(per occurrence)
Deductible:	\$2,500	(w/exceptions) (per occurrence)
Carrier:	Lexington	

Marine Liability

\$ 24,334

Watercraft used for maintaining Stearns Wharf and Gibraltar Dam, and rescue vessels used by the Harbor Patrol are covered for protection and indemnity (i.e., third party liability) hull (i.e., property damage) and towers liability under a separate insurance policy.

Limits:	\$1 million (Liability)	(per occurrence)	Replacement Cost (Hull)
Deductible:	\$ 1,000	(per occurrence)	
Carrier:	Navigators Insurance Company		

Attachment II

Policy Descriptions

Airport Liability

\$ 36,504

Coverage is purchased for Airport operations and includes protection against liability arising out of personal injury, premises, contractual, hangar keepers, and non-owned aircraft.

Limits: \$ 50 million (per occurrence)

Deductible: \$ 2,500 (per occurrence)

Carrier: Old Republic Insurance Company

Faithful Performance Bond

\$ 6,900

City funds are financially protected from failure of any employee that handles money, acting alone or in collusion, from faithfully performing their duties or to account properly for all monies and property.

Limits: \$ 5 million (per occurrence)

Deductible: \$ 25,000 (per occurrence)

Carrier: CSAC Excess Insurance Authority

Workers' Compensation

\$ 150,000

This coverage is required by the State law to pay for injury, disability, or death resulting from occupational hazards. The City self-insures the first \$750,000 of each loss (per occurrence). CPEIA is a purchasing consortium offering excess insurance. Members share risk over their individual retentions to \$3 million. An excess insurance policy is purchased with per occurrence limits.

Limits: \$200,000,000 Employers Liability: \$5,000,000

Deductible: \$ 750,000

Pool Deductible: \$ 5,000,000

Carrier: CSAC Excess Insurance Authority

General & Automobile Liability

\$ 680,000

The City is a member of ACCEL (Authority of California Cities Excess Liability), a joint powers authority created to pool common municipal exposures such as general, automobile, and public officials errors and omissions liability. Members share losses among the member entities. This JPA was designed to pool catastrophic losses. For the past eight years, however, commercial market pricing became favorable so the JPA elected to purchase insurance rather than share risk. The City of Santa Barbara self-insures (i.e., deductible) the first \$1 million. ACCEL members share the next \$4 million (above the first \$1 million). Commercial coverage provides an additional \$40 million.

Limits: \$ 45 million (per occurrence)

Deductible: \$ 1 million (per occurrence)

Pool Deductible: \$ 4 million (per occurrence)

Carriers: CV Starr / Lexington A / Axis / Arch

Attachment II

Policy Descriptions

Notary Bond

\$ 516

The City has six state certified notaries on staff. Their certificate requires a bond to protect against errors and omissions. Notaries are located as follows: City Administrators' Office (1) Risk Management (2), Public Works (1), and Community Development (2).

Limits: \$15,000 (per occurrence)

Deductible: none

Carrier: Western Surety Company

Volunteer Accident Medical

\$ 1,500

Coverage provides accident medical reimbursement up to \$25,000 directly to volunteers when injured traveling to or from, or participating in volunteer activities. The plan requires the volunteer to use any other available insurance coverage, such as a health plan or Medicare, as primary insurance. This plan does not require any deductible or co-payment.

Limits: \$25,000 (per occurrence)

Deductible: None

Carrier: Volunteer Services